

Message Text

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J4

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

DOT-00 INR-11 NSAE-00 RSC-01 FAA-00 PM-07 H-03 L-03

NSC-07 PA-04 PRS-01 SP-03 SS-20 USIA-15 OMB-01 CIEP-03

XMB-07 FRB-03 TRSE-00 DRC-01 /122 W

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 3772

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E.O. 11652: NA

TAGS: ETRN JA

SUBJ: CIVAIR - FOREIGN GOVERNMENT SUBSIDIES TO NATIONAL CARRIERS

REF: STATE 162608

SUMMARY. EMBASSY DOES NOT BELIEVE JAPAN AIRLINES (JAL) IS
SUBSIDIZED TO ANY SIGNIFICANT EXTENT THROUGH ANY OF MEASURES DES-
CRIBED REFTEL EXCEPT GOVERNMENT CONTRIBUTIONS TO EQUITY CAPITAL.
FOLLOWING ARE COMMENTS ON POINTS COVERED IN REFTEL AS THEY
APPLY TO JAPAN: END SUMMARY.

1. GOVT CONTRIBUTIONS TO EQUITY CAPITAL OF NATIONAL CARRIER.
MIN OF FINANCE CURRENTLY HOLDS 43,392,240 SHARES IN JAL,
WITH PAR VALUE OF 21.7 BILLION YEN. GOVT HOLDINGS REPRESENT
45 PERCENT OF TOTAL OUTSTANDING SHARES. JAL HAS NEVER PAID
DIVIDENDS ON GOVT-HELD SHARES AND BY LAW IS EXEMPT FROM
PAYING SUCH DIVIDENDS AS LONG AS IT DOES NOT PAY PRIVATE
SHAREHOLDERS MORE THAN 8 PERCENT (SEE TOKYO 7021, JUNE 5,
1973 AND TOKYO 5360, APRIL 23, 1974).

2. DIRECT LOANS BY GOVT, AND GOVT GUARANTEES OF LOANS FROM
COMMERCIAL SOURCES, TO NATIONAL CARRIER. JAL HAS ARRANGED
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TO FINANCE PURCHASE OF SIX BOEING 747 AIRCRAFT VALUED AT

173 MILLION MILLION DOLLARS THROUGH THE FACILITIES OF JAPAN EXPORT-IMPORT BANK. THIS IS ONLY GOVT LOAN TO JAL OF WHICH EMBASSY IS AWARE, AND IT SHOULD BE NOTED THAT DECISION TO FINANCE PURCHASE OF US-MADE AIRCRAFT THROUGH JAPAN EX-IM BANK FACILITIES WAS TAKEN BY GOJ AS RESULT OF 1972 BILATERAL TRADE TALKS SPECIFICALLY AIMED AT IMPROVING US-JAPAN TRADE AND PAYMENTS BALANCE. UNDER THESE CIRCUMSTANCES IT WOULD BE HIGHLY INAPPROPRIATE, IN OUR VIEW, FOR USG NOW TO CONSIDER THIS LOAN AS A QTE SUBSIDY UNQTE TO JAL.

3. ADVERTISING BY NATIONAL TOURIST OFFICES TO ADVANCE PUBLIC IMAGE OF NATIONAL CARRIER. JAPAN NATIONAL TOURIST ORGANIZATION (JNTO), IN MINISTRY OF TRANSPORT, PROMOTES TOURISM TO JAPAN THROUGH ADVERTISING AND BY PROVIDING DIRECT AND FOLLOW-UP SERVICES TO FOREIGN VISITORS. JNTO OPERATES ON VERY LIMITED BUDGET AND, IN OPINION OF US AIR CARRIERS SERVING JAPAN, IS NOT SIGNIFICANT FACTOR IN PROMOTING NATIONAL CARRIER. JNTO TOTAL BUDGET FOR FY 1974 IS 4.97 MILLION DOLS, WHICH EMBASSY UNDERSTANDS IS SUBSTANTIALLY SMALLER AMOUNT THAN USG SPENDS ANNUALLY THROUGH US TRAVEL SERVICE TO PROMOTE TOURISM TO US.

4. MEASURES DESCRIBED IN PARAS 1 E THROUGH K OF REFTEL ARE NOT APPLICABLE IN JAPAN.
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